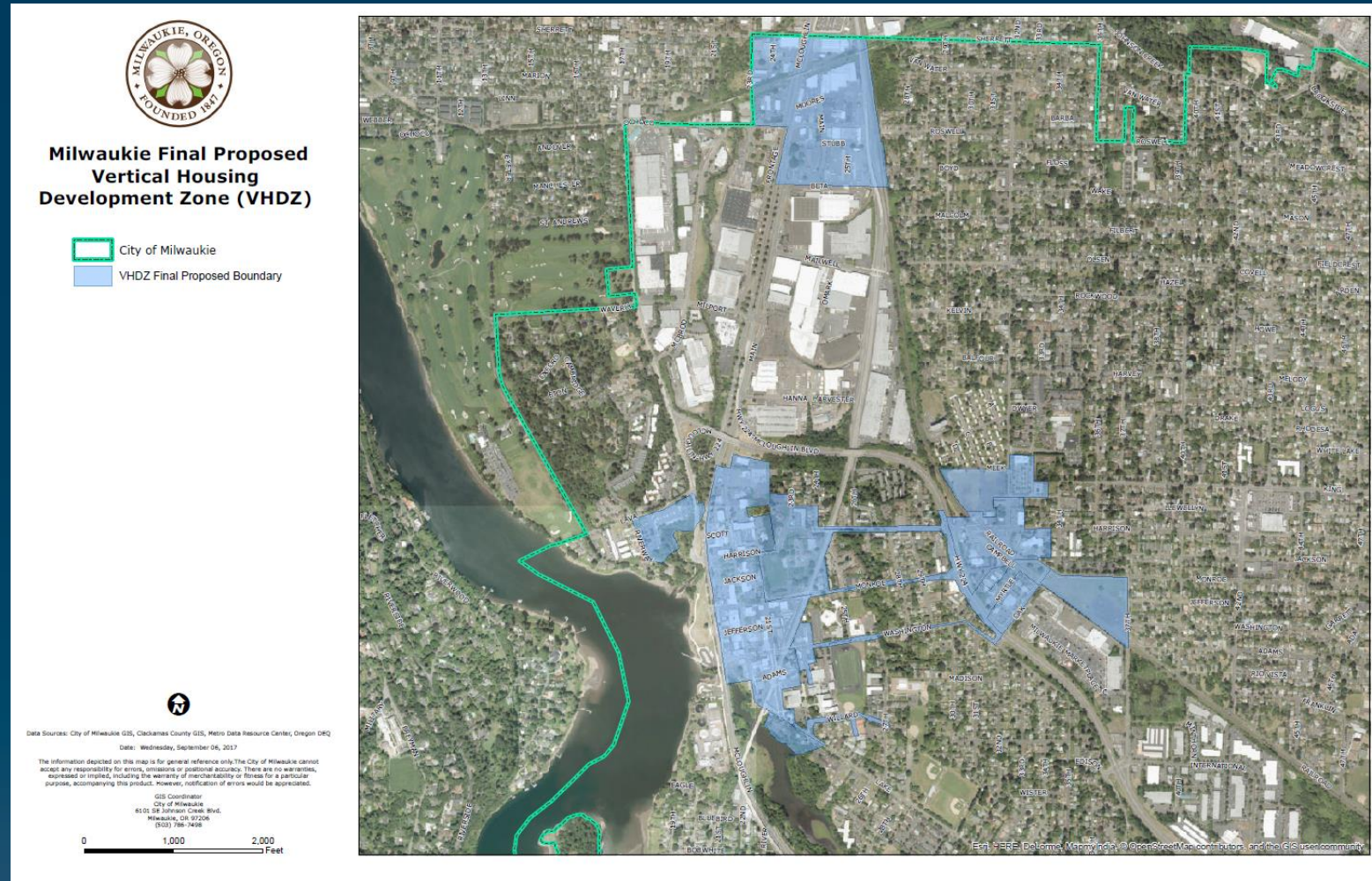




# Vertical Housing Development Zone Ordinance

City Council, November 21, 2017

# Vertical Housing Development Zone Boundary



# What is a Vertical Housing Zone?

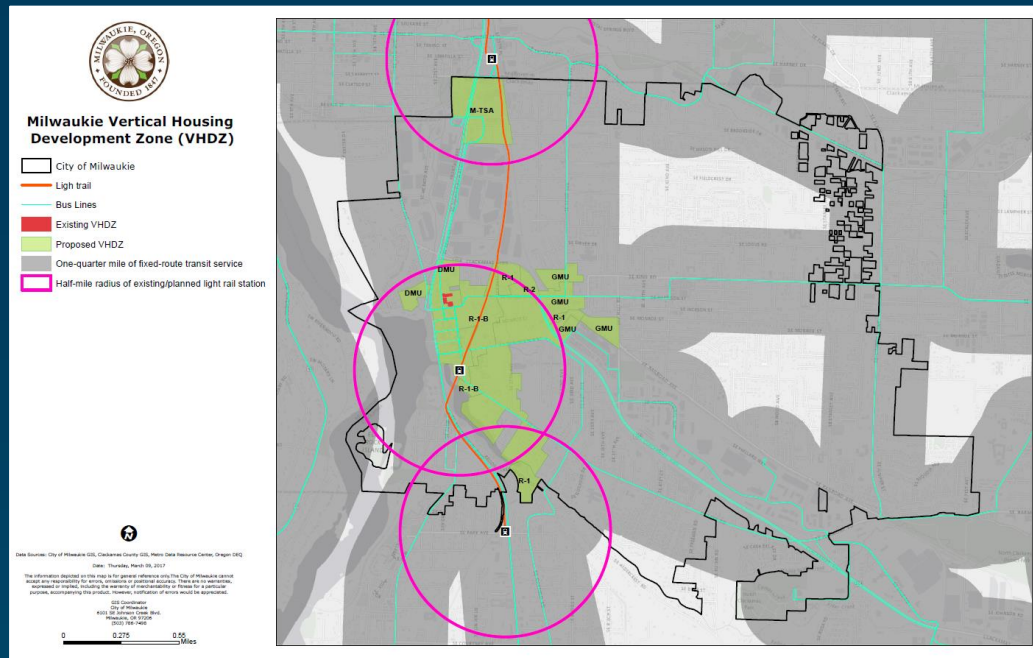
- Allows for a 10-year tax exemption on new buildings up to 20% per floor for mixed-use projects
  - Exemption cannot exceed 80% of the value of the new building
- After 10 years, full value of the project is placed on the tax rolls
- Property taxes on existing land, and at least 20% of the new construction, are preserved
- Additional partial exemption is available on the land for projects with affordable housing



Source: Photo from OregonLive.com



# Program Details



- Projects certified through State
- Tax abatements are applied only to the value of the building, not the land
  - An additional partial property tax exemption on the land may be given if some or all of the residential housing is designated as affordable housing
- Zone must be in a qualifying area, consistent with State criteria, defined as:
  - Completely comprised by the core area of an urban center,
  - Entirely within one-half mile radius of existing/planned light rail station,
  - Entirely within one-quarter mile of fixed-route transit service, and
  - Contains property for which land-use comprehensive plan and implementing ordinances effectively allow “mixed-use” with residential.
- Each project is provided abatement for a maximum 10-years
- Abatement applies to all taxing jurisdictions unless they opt out

# Draft VHDZ Ordinance



**AN ORDINANCE OF THE CITY OF MILWAUKIE, OREGON ADOPTING CHAPTER 3.65 - VERTICAL HOUSING DEVELOPMENT ZONE PROGRAM, FOR THE PURPOSE OF ENCOURAGING DEVELOPMENT OF MIXED-USE RESIDENTIAL PROJECTS WITHIN THE ZONE BOUNDARY, ADOPTING LOCAL SUSTAINABILITY CRITERIA AND ADOPTING A SUNSET PROVISION FOR THE DEVELOPMENT ZONE.**

**WHEREAS**, the City Council has made housing affordability a goal for the 2017-18 biennium; and

**WHEREAS**, the Housing and Community Services Department for the state of Oregon approved the designation of a Vertical Housing Development Zone (VHDZ) for the following zones: Downtown Mixed Use (DMU); General Mixed Use (GMU); Medium and High Density Residential (R-1-B within the Urban Renewal Boundary); and Tacoma Station Area Manufacturing (M-TSA) overlay sub areas 1 (North of Springwater, 2 (West of McLoughlin, and 3 (Mixed Employment) in the North Milwaukie Industrial Area; and

**WHEREAS**, the recent adoption of Senate Bill 310 with respect to the VHDZ program administration authorizes the City to designate VHDZs, adopt local criteria for certification and administer its own program;

**Now, Therefore, the City of Milwaukie does ordain as follows:**

Section 1. Chapter 3.65, as set forth below, is hereby adopted and incorporated into the Milwaukie Municipal Code.

## CHAPTER 3.65 VERTICAL HOUSING DEVELOPMENT ZONE PROGRAM

### **3.65.010 Purpose, Objectives and Duration**

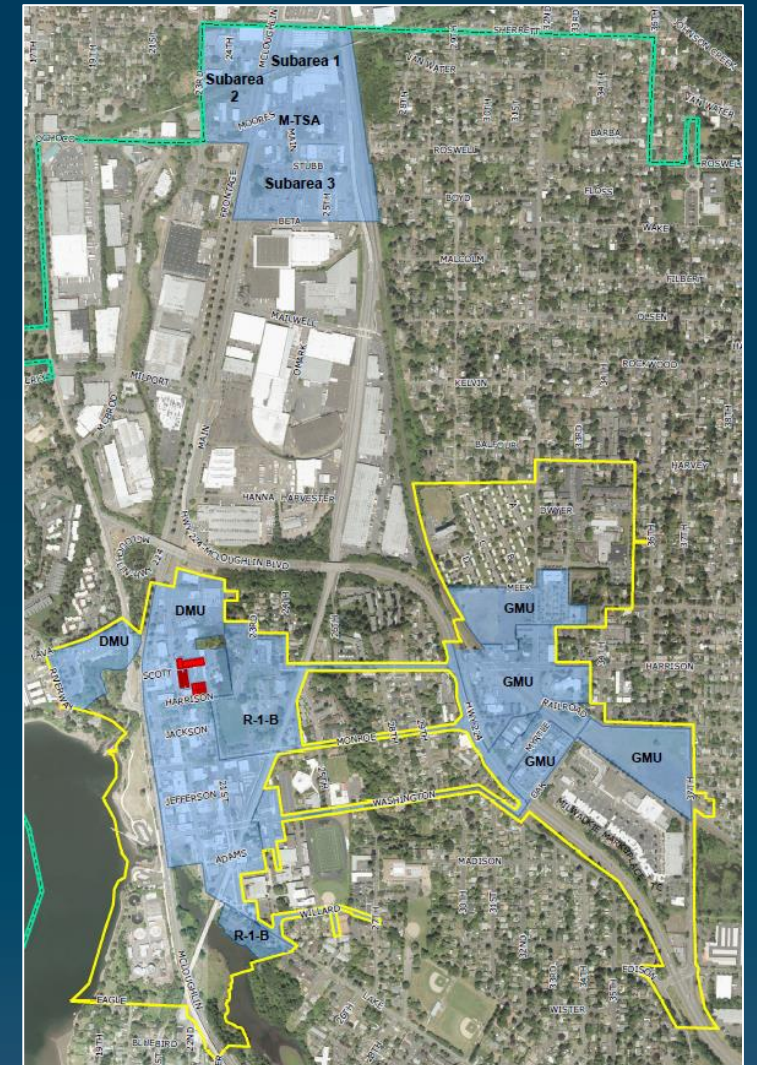
- A. Chapter 3.65 is adopted to carry out the provisions of ORS 307.841 to 307.867 as they pertain to the administration by the City of Milwaukie (the "City") of the Vertical Housing Development Zone Program described herein (the "program"). The basic purpose of the program is to encourage construction or rehabilitation of eligible properties in order to augment the availability of suitable housing and to revitalize the designated development zone. This chapter sets forth relevant

## Purpose

- Establish a local administration of the program
- Encourage development of mixed-use residential projects within the zone boundary
- Adopt local sustainability criteria
  - All new buildings or major rehabilitations as Certified Projects of the City are required to meet certification under the ANSI-approved green building rating system
- Adopt a sunset provision
  - Milwaukie VHDZ shall sunset on July 1, 2022 unless extended by Resolution
  - VHDZ applications received by July 1, 2022 shall have until December 31, 2022 to obtain a Certified Project approval certificate issued by the City

# Key Features of the Ordinance


- Authorizes the City to designate VHDZs, adopt local criteria for certification, and administer the program
- Directs the Community Development Department to implement, administer, and enforce the ordinance
- Allows for zone termination or modification
- Establishes project criteria
- Allows for project monitoring fees
- Outlines modification/transfer of ownership and monitoring, investigations, remedies, and decertifications





# Application Process


1. Per SB 310, jurisdictions can create or expand a zone by ordinance or resolution
  - a. The City must consider the potential for displacement of households within a proposed VHDZ before designating the zone
2. Eligible projects within the zone apply for partial tax exemption
  - a. City staff to work with applicants to review and approve applications per local ordinance



**Vertical  
Housing  
Tax Credit**

A 10-year Property  
Tax Exemption

Encourages mixed-use commercial/residential developments in areas designated within a city's vertical housing development zone boundary through a partial property tax exemption.




A Vertical Housing Development Zone (VHDZ) is designed to encourage the private sector to build higher-density mixed-use development (first floor commercial with residential above) in targeted areas of a city and provides a partial tax exemption on increased property value for qualified projects.

The VHDZ provides qualified development projects a 10-year property tax exemption on the value of new construction or rehabilitation for up to 20 percent per residential floor for four floors above a commercial ground floor with total exemption limited to no more than 80 percent. Additional exemption may be available for projects with affordable housing.

The City of Milwaukie's goals for the vertical housing program include:

- Helping fulfill multiple city policies to incentivize higher density, mixed-use and transit-oriented development in our core and adjacent to light rail transit;
- Increasing assessed value throughout these areas;
- Increasing the number of residents living downtown that will shop, dine and patronize local businesses;
- Increasing housing affordability and access to affordable housing;
- Increasing the number of retail and office business opportunities in response to future residential growth; and
- Encouraging sustainable construction.



Vertical Housing

# City Council Request

Consider adoption of the Ordinance to add Chapter 3.65 – Vertical Housing Development Zone Program to the Milwaukie Municipal Code

## **Options:**

- A. Adopt the Ordinance to encourage development of mixed-use residential uses within the approved boundary and adopt the local sustainability criteria and a sunset provision for local implementation.
- B. Modify the Ordinance.
- C. Elect not to adopt the Ordinance.



# Vertical Housing Development Zone Ordinance

Questions?





# Vertical Housing Development Zone Ordinance

City Council, November 21, 2017

# Potential Impact

	North Main Village*	Future Example: Coho Point
Approximate Project Cost	\$14 million	\$30 million at 80%
Property Tax Prior to New Development	\$13,000/year	\$0 for past 10 years
Average Annual Tax Revenue During Abatement	\$21,000/year	\$24,600/year
Average Incremental Tax Abated	\$20,000/year	\$98,400/year
<b>Estimated Total Annual Tax Revenue After Abatement</b>	<b>\$41,000/year</b>	<b>123,000/year</b>

\*Example does not include figures for the North Main Apartments which are still under abatement as part of the VHDZ program.



# Zone Analysis

	Proposed Boundary	Proposed within URA
Number of Parcels	591	324
Land Value	\$102M	\$78M
Building Value	\$251M	\$193M
Acres	245	173

# Case Study – North Main Village



Source: Photo from [oregonmetro.gov](http://oregonmetro.gov)

# Potential Future Impact



Source: 4<sup>th</sup> Main Apartments, Hillsboro, OR, photo from Apartment Finder